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(Subject to Revision.)

Presented at the XIVth Meeting, New York, 1886.

American Society of Mechanical Engineers.

Advance sheets from Vol. VIII. Transactions.

CCXXXVIII.

CAPITAL'S NEED FOR HIGH PRICED LABOR.

BY W. E. PARTRIDGE, NEW YORK.

THE labor troubles of employers, both in England and America, are largely due to a wrong theory in regard to wages. This theory is so deeply rooted in the minds of both the laborer and the capitalist, that it has passed unquestioned from the early days of manufacturing to the present. Stated in its simplest form, it is this: The less the price paid for labor, the less will the product cost. Consequently the manufacturer, when he wishes to lessen the cost of goods, first considers the question of a reduction of wages. This is an obvious method, within the comprehension of any one. It calls for no investigation of methods and involves no intricate estimating.

Among the mechanical trades it is a pretty generally recognized fact that the easy way, and that into which the apprentice generally falls, is always a wrong way. In the case of wages, no exception is found to the rule. A present reduction in wages may for the time reduce the cost of the product, whatever it is, but the reaction is bad. The Old World stands to-day distanced by America, and exceedingly anxious, because wage reduction has been pushed a little beyond the point where starvation begins. In spite of having thus carried the principle to the extreme, America faces her and produces in many lines, for less money and of better quality. The reason is that here we have, to some extent, been forced to adopt the true theory of work and wages. Our present labor troubles

largely come from the introduction of Old-World ideas and Old-World methods. The very existence of the trade union depends on the wide-spread belief that cheap labor makes cheap products.

The truth in this case happens to be at precisely the opposite pole. The correct theory is, that high priced labor makes a cheap product. The manufacturer or employer who carefully considers the ultimate success of his undertaking must study how he may increase the individual earnings of those whom he employs. He must seek for the highest priced labor as giving him the best returns for his expenditure. His problem is to adopt a system which shall utilize skill and intelligence. These are imperative and universal laws, and apply to all branches of business.

That high priced wages make cheap goods seems a paradox to many who have only considered the other side. The question naturally arises, Is this possible? Has such a thing ever happened, and can it happen again? The answer is, Yes. England has for many years held markets on the continent of Europe, in the face of the fact that wages were much higher in England. From England, cottons are sent to India and China in spite of the cheap labor of the latter countries.

The view usually taken is that machinery enables the English to manufacture so cheaply as to enable them to compete with the cheap labor of China. In one sense this is a mistake. Before the cheap labor can run the machines, it must be educated and drilled. It must become skilled to such an extent as no longer to deserve the title of cheap. Skilled labor must be exported to China to superintend, if successful cotton factories are to be erected in that country.

Some years since, a manufacturer of presses for making articles from sheet metal, advertised his machines abroad, and basing his statements on what was habitually done in America, said they would run 120 strokes per minute. Foreign purchasers complained. They could not make half so many articles in a given time as he had promised. Visiting the shops in person, he found no difficulty in feeding the blanks to the press for minute after minute at the guaranteed rate, but he discovered that the cheap workmen whom they employed, could not keep up the American rate. After that the guaranties advertised abroad were only half as large as the capacity of his machines in America. Similar cases are within the knowledge of every manufacturer of machinery who has an export trade.

The use of machinery presents the greatest advantages in those countries where general intelligence is greatest and skill is most common, and where, in consequence, labor is most highly paid, and in countries where labor is cheapest, machinery cannot be run by the natives. Not long since an American engineer in Russia, who had been superintending the erection of machinery for making oil cans, wandering about Batoum, saw at a distance a hundred or more camels receiving loads of a peculiar form, and all alike. Approaching he found a caravan about to start for Persia, and the loads were Singer sewing machines—two to each animal. Skilled and high priced labor alone has made a sewing machine possible that can be shipped half way around the globe and transported a thousand miles upon camels to a land of low wages. Without such labor the machinery for its manufacture could neither be built nor operated. Could skilled labor be obtained, capital would soon erect in Asia the necessary machinery, and save the cost of transportation.

From general cases it is well to turn to those which are more particular, in order to demonstrate the advantage and imperative necessity of seeking to increase the earnings of labor. Some years since, an industry was started in the eastern part of the country, which grew to considerable proportions. The distance from consumers, cost of transporting bulky articles, and high wages, led to a transference of the factory to Boston. It was then concluded that the cheaper labor obtainable in New York and its advantages as a business center would pay for another removal. The factory was then brought to New York. It was found, however, that both changes were for the worse. Fine materials, like ornamented paper, silk, satin, scrap-pictures, etc., were employed, and the waste of these in cheap hands was so great that in spite of higher wages, long freightage, and cold, long winters, it was cheaper and best to remove the factory for the third time, to the village in Maine where it started.

An example of the inevitable evils of seeking cheap workmen happened a few years ago in a shoe shop in the western portion of the State. At the regular price for piece-work exceedingly good wages were made by the smarter girls in the factory. $25.00 and even $30.00 per week were paid to single operatives. A large number of girls were employed, some able to earn these wages, while the rank and file averaged at the time about $8.00. Cut after cut was made in the wages, because the employers thought that

no girl ought to earn more than $10.00 per week. The result was hardly what was expected. The capable women whom they hoped to cut down to $10, left them. Only the poorer operators remained, the best of whom could earn only $5 or $6 per week. The productiveness of the plant had been cut down in about the same ratio as the cut in wages, and the most expert and valuable laborers were forced to leave, and quality suffered as well as quantity. The profitableness of such an operation is certainly questionable. In contrast to this is the testimony of one of our shrewdest and most intelligent Eastern manufacturers, that within fifteen years, in several departments of his establishment, systems have been in operation which have reduced "the labor cost on certain products without encroaching upon the earnings of the men employed." In this establishment records are kept with great care and system, and the accuracy of the statement is beyond a doubt.

It is a fact, known and recognized for years, that in certain lines of metal work, goods were most cheaply produced in parts of New England where the earnings of the men and wages in general were the highest, and the same goods were most expensive to make in parts of the West where the daily earnings were only a third as large. The facilities were equal. A manufacturer, in speaking of this, said, "My men are respectable citizens and property owners, with children who will go through the high school, and perhaps through college." He characterized those of another section as but one remove from the day laborer, and of no account socially.

The workman who earns large wages is valuable to his employer, because he returns a large product for a given outlay. Such a sale of labor is in one sense a wholesale transaction. When two men sell a dollar's worth of labor, the buyer rarely expects more than 90 per cent. return, while if one man performs the work, something over 100 per cent. would not be unusual. When the earnings are large in proportion to the number of workers, the value of the plant, as well as of the product, is increased. Cases are on record where an increase of the earning power of the men has been equivalent to an increase in the capacity of an establishment. Men who earn large wages become property holders; they are respected citizens, conservative, self-respecting, intelligent and temperate. Their children do not grow up to swell the criminal classes. Such citizens are a valuable purchasing power in the land; their prosperity is of a stable character. Men of this class have no labor troubles; they have too much at stake and are too

well assured of the necessity of continued work, and too successful in it, to take part in strikes.

Manufacturing can only be prosperous through long periods in large, thrifty communities, where the average income of the masses is high, and where wealth is widely distributed; under such conditions, consumption is enormous. The tax imposed by poverty bears lightly, because there is no poor class—no pauper labor.

It must not be understood that the suggestion of high wages means that the manufacturer or employer should at once make an advance in the wages paid, or increase the price of piece-work. Such a course is disastrous alike to employer and men. Advancing prices without a corresponding advance in earning power, results ultimately in a permanent decline in earnings. This is a rule which appears to have had no exceptions in this country. It is a result greatly to be feared.

In Great Britain a strange thing has happened which may be interpreted in many ways. As the price of wages in the great iron-producing establishments has been reduced, so has England begun to feel Belgian and German competition. This has often been looked upon as a case of cheap labor against that which is higher priced. Others take the ground that it is the irrepressible conflict between machinery and man; in which they say that man must be ground to powder if machinery is tolerated. Examine the case a little further, and it will be found that it has been a contest of machinery alone. In such a contest, the latest comers, and those having the most capital, are always winners. Belgium and Germany had only to construct superior plants, and employ as much or more capital, and they could command the markets of the world, the natural facilities being nearly similar. The only reply to this attack was to reduce wages and increase and improve the machinery. But the Belgians could reduce wages even more easily than the English, and the improved machines of one country could be duplicated by the other within a year or two.

Had the English iron-masters turned their attention to the improvement of their labor, as well as their machines; had they made one Englishman in their iron works as good as three Belgians, competition would have been extinguished. They had not learned a lesson which the ship owners of the last generation could have taught them; that one English or American sailor was worth two of any other nationality, and English and American ships, though paying high wages, cost less to handle than those of other nations.

They habitually sailed with fewer men and with greater safety and more profit. Labor of a high class cannot be exported; it is not duplicated by capitalists of a foreign country, and it is exempt from competition of machinery or men.

The general problem which the employer of the present day in this country must solve, is a simple one in its general form. It is to increase the earning powers of his men from year to year, and to do it in such a way that the men not only earn more, but are more profitable to him. Though simple as a general statement, it becomes complex when applied to individual industries. The method which has been employed in a single instance will serve as an illustration of how the problem may be attacked in relation to piece-work. In a large establishment in Pennsylvania, embracing a great variety of trades, piece-work is almost the rule. When a man devises any method by which a saving of time, labor or material is effected, he calls for a trial of the improvement. When it is found successful, a new schedule for that class of work is made and the price is reduced, but the men get one-half of the gain and the establishment the other half. Cost of production has been reduced and the earnings of the men increased. This stimulates every man to study processes and machinery. Every motion is criticised; the operation of every machine watched with the utmost care by intelligent and interested eyes. Ambition is at work, there is an incentive for men of skill to stay, because they feel assured that there is an ultimate market for what they have to sell. Every man is as interested in cutting down the price of piece-work as the proprietor himself. Under this system no limit is placed on the sum a man may earn by piece-work. The higher the wages the more profitable is the plant.

When improvements in processes are designed in the office or by the heads of departments—that is when they may be said to originate with the proprietor—the establishment takes two-thirds of the saving effected, and the men one-third. It must be understood that such tools, appliances, or alterations in tools as may be needed to introduce improvements, are made by the works, for the men; hence a man when he has designed an improved method of doing his work is not at any expense in demonstrating or introducing it. How profitable this system has proved for the works can be judged from the fact that a few years ago the labor on one article cost $6, and 18 months ago the same thing, in an improved form, was being turned out for $2.50. The men at the latter price were earning

higher wages than before. This method is capable of being applied in many lines of business. In some it has a wider range than in others, but it is profitable in all.

The underlying principle, however, is applicable in every line of business, and the employer will find it profitable to enlist upon his own side, and virtually take into partnership with him, the hope, ambition, and self-interest of his men.

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